No. 15-375

IN THE

# Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
*Petitioner*,

v.

JOHN WILEY & SONS, INC.,
*Respondent*.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

## REPLY BRIEF OF PETITIONER


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## INTRODUCTION

Wiley's opposition is as extraordinary for what it doesn't say as for what it does. Wiley does not dispute—and even admits, Opp. 9, 12, 13—that there is a circuit split regarding the standard for awarding attorneys' fees under the Copyright Act, 17 U.S.C. § 505. Specifically, Wiley concedes that "the Seventh Circuit ... stands out from all other circuits in applying a presumption in favor of attorney's fees." Opp. 9. Wiley does not dispute Kirtsaeng's showing that this is an issue of national importance, which this Court has previously concluded is worthy of its attention. *See* Pet. 28-31. And, Wiley's principal explanation for why this Court should nevertheless not grant cert is that even though Kirtsaeng objected below to the Second Circuit's rule as contrary to law, Kirtsaeng did not ask the Second Circuit to adopt the Seventh Circuit's presumption, when, as Wiley confesses, "the Second Circuit ha[d] explicitly rejected the use of a presumption." Opp. 12 (citing *Lava Records, LLC. v. Amurao*, 354 F App'x 461, 462-63 (2d Cir. 2009)). These concessions warrant this Court granting cert without reading another word.

Wiley's primary strategy is to argue that still other circuit splits are "imaginary" or, maybe, "vastly overstated." Opp. 4, 14. But Wiley fails to address, much less refute, our recitation of the courts of appeals' cases and holdings. Instead, after having already conceded there is a split, Wiley argues that any further split is "exaggerated," Opp. 4, based on a litany of cases where fee awards are approved because the losing party's claim is objectively *un*reasonable. Opp. 6-10. Of course they are. This Court in *Fogerty v. Fantasy, Inc.* identified objective unrea-

sonableness as a potentially relevant consideration. 510 U.S. 517, 534 n.19 (1994). It should come as no surprise that lower courts are uniform in awarding fees when the losing party's claim or defense is *un*reasonable. But that is not this case; Wiley's suit was reasonable. And that is not the disagreement in the courts of appeals. The courts are divided about when to award fees when the losing party's claim or defense was objectively *reasonable*.

The balance of Wiley's opposition argues that the Second Circuit's approach of placing "'substantial weight' on the objective reasonableness" of the losing party's losing argument, Opp. 5, is "faithful to the purposes of the Copyright Act," *Fogerty*, 510 U.S. at 534 n.19. Wiley's argument hinges on its erroneous assertion that the Second Circuit "incentiviz[es] parties to make reasonable arguments." Opp. 11. It doesn't. By awarding fees when a party's claims or defenses are *un*reasonable, the Second Circuit disincentivizes parties from making unreasonable arguments and provides safe harbor for parties who made reasonable ones. There is nothing wrong with that in and of itself. Pet. 24. But the Second Circuit wrongly focuses on the losing party and its arguments. This Court has held that courts should consider the prevailing party and "encourag[ing]" *prevailing* parties "to litigate meritorious claims" and defenses. *Fogerty*, 510 U.S. at 527 Absent such incentives, parties—particularly impecunious parties like Kirtsaeng—may be forced to "throw in the towel" because they cannot afford to litigate their meritorious claims or defenses to successful conclusion. *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004).

## I. The Courts Of Appeals Are Hopelessly Split.

A. Wiley concedes that the Seventh Circuit splits with nearly all of the other courts of appeals by employing a presumption in favor of fee awards. Opp. 9. Wiley does not dispute that the Fifth Circuit applies the same presumption. Indeed, the Fifth Circuit case cited by Wiley (at 8) repeatedly reiterates that fee awards in Copyright cases are "the rule rather than the exception and [that fees] should be awarded routinely." *Virgin Records Am., Inc. v. Thompson*, 512 F.3d 724, 726 (2008) (quotation marks omitted). Wiley does not disagree that such a presumption is in stark contrast to the Second Circuit's approach emphasizing objective unreasonableness. Pet. 16.

That the Seventh Circuit reversed a district court's failure to award fees when the losing party's claim was *un*reasonable, Opp. 9-10 (discussing *Budget Cinema, Inc. v. Watertower Assocs.*, 81 F.3d 729, 732-33 (1996)), does not undermine the Seventh Circuit's presumption. As explained (at 1-2), that case is inapposite because the issue here is the award of fees when the losing party's claim or defense was reasonable. In any event, applying the presumption in favor of fee awards, the Seventh Circuit awards fees even when the losing party's claim or defense was reasonable. *HyperQuest, Inc. v. N'Site Sols., Inc.*, 632 F.3d 377, 387 (7th Cir. 2011) (affirming defendant's fee award even though plaintiff's "suit was filed in good faith and had some merit").

B. The Ninth and Eleventh Circuits award fees if the prevailing party's claim or defense furthered the interests of the Copyright Act. Pet. 11-13 (discussing *Fantasy, Inc. v. Fogerty*, 94 F.3d 553 (9th Cir. 1996);

*MiTek Holdings Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999)).

The Eleventh Circuit in particular holds that "[t]he *touchstone* of attorney's fees under § 505 is *whether imposition of attorney's fees will further the interests of the Copyright Act, i.e.*, by encouraging the raising of objectively reasonable claims and defenses." *MiTek Holdings*, 198 F.3d at 842-43 (emphasis added) (vacating district court for "not assess[ing] whether imposition of attorney's fees would further the goals of the Copyright Act"). Wiley's only response is to misread *MiTek*, badly, to say that the passage of *MiTek* quoted above "emphasize[s] the importance of ... objective reasonableness." Opp. 9. It doesn't. *MiTek*'s reference to "objectively reasonable claims and defenses" is about encouraging such arguments through fee awards, not assessing whether the arguments already made were reasonable and assessing fees on that basis.

Wiley similarly has little to say about the Ninth Circuit. Wiley ignores *Fantasy v. Fogerty*, instead citing only an unpublished, non-precedential decision in a lengthy string cite. Opp. 8 (citing *Hendrickson v. Amazon.com, Inc.*, 181 F App'x 692 (9th Cir. 2006)). Wiley ignores the portion of the opinion where the Ninth Circuit says that the "[d]efendants ... prevailed, but it is not evident that their role in the litigation 'furthered the underlying purposes of the Copyright Act.'" *Hendrickson*, 181 F App'x at 693 (quoting *Fantasy*, 94 F.3d at 555). Accordingly, the panel's mandate was: "On remand the district court should ascertain whether [the prevailing parties] furthered the purposes of the Copyright Act." *Id.* That the Ninth Circuit concluded another basis

for awarding fees was absent—because the losing plaintiff's claims were not also "frivolous or objectively unreasonable," *id.*—does not alter the Ninth Circuit's settled law. The Ninth Circuit approves of fee awards where the losing party's claim was not unreasonable when the prevailing party "further[ed] the purposes of the Copyright Act," *Fantasy*, 94 F.3d at 558, which is why the panel remanded for just such an inquiry in *Hendrickson*. 181 F. App'x at 693.

Significantly, Wiley raises no vehicle issues here. Wiley does not dispute that Kirtsaeng's meritorious "first sale" defense advanced the purposes of the Copyright Act and that Kirtsaeng would prevail in the Ninth and Eleventh Circuits. *See* Pet. 2, 8, 18-21.

C. Wiley calls our description of the Second Circuit's law a "caricature," Opp. 4, yet Wiley does not and cannot dispute that the Second Circuit's approach to fee awards under the Copyright Act differs sharply from the presumption in the Fifth and Seventh Circuits or the emphasis on rewarding parties for advancing the purposes of the Copyright Act in the Ninth and Eleventh Circuits. Wiley agrees that "the Second Circuit's approach ... places 'substantial weight' on the objective reasonableness factor." *Compare* Opp. 5 *with* Pet. 16.

Instead, Wiley argues generically that fee awards are "discretionary" and thus the undisputable disagreements among the courts are simply "examples of district courts using their best judgment." Opp. 4-5. That is wrong. The courts are reaching wildly different results because, as Wiley acknowledges at times (*see, e.g.*, Opp. 9), different district courts are applying different legal rules that have

been adopted by different appellate courts. *See* Pet. 1-2. It is for this Court to address those differing legal standards and put an end to plaintiffs picking and choosing their forums based on where it will be easiest for them to obtain fees if they win and most difficult for defendants to get fees if the plaintiff loses. *See* Pet. 30-31. In any event, Wiley's demur that district courts are just "using their best judgment," Opp. 5, could have also been said of the courts exercising their discretion pre-*Fogerty* to apply a dual standard that discriminated against prevailing defendants. And yet, this Court acknowledged the circuit split and decided the issue. 510 U.S. at 520-21.

## II. The Decision Below Contravenes This Court's Precedent.

The petition demonstrated that the Second Circuit's emphasis on objective reasonableness violated this Court's precedent in three ways: (1) it is unfaithful to the Copyright Act's purposes, (2) it is not evenhanded, and (3) it equates fee awards under the Copyright Act with fee awards under the Patent Act, even though the Patent Act only permits fees in "exceptional" cases. Pet. 17-27 Wiley does not say one word about the Patent Act and barely addresses evenhandedness.

A. The Copyright Act originates in the Constitution's command "[t]o promote the Progress of Science," U.S. Const., Art. I, § 8, cl. 8, and "ultimately serves th[is] purpose ... through access to creative works," *Fogerty*, 510 U.S. at 527 *See* Pet. 17-18. Accordingly, this Court has counseled that "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Fogerty*, 510

U.S. at 527 "To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them," since "a successful defense ... may further the policies of the Copyright Act." *Id.* "[F]aithful[ness] to the purposes of the Copyright Act" is the primary consideration in assessing fees under § 505. *Id.* at 534 n.19; *Fantasy, Inc.*, 94 F.3d at 558.

Rather than emphasizing faithfulness to the purposes of the Copyright Act, the Second Circuit emphasizes objective reasonableness. Pet. 21-22. This case is the perfect example. Even though no one disputes that Kirtsaeng advanced the purposes of the Copyright Act, Kirtsaeng was not awarded fees because Wiley's suit was not unreasonable. App. 4a-5a. Wiley responds that objective reasonableness does not "outweigh[] all other[] [factors]" because the Second Circuit "has made clear that objective reasonableness *can be outweighed*," Opp. 11 (emphasis added). But therein lies the problem. Saying that other factors can possibly outweigh reasonableness, makes reasonableness the primary consideration. Pet. 23-24. That is contrary to *Fogerty*.

Wiley's other response is to repeatedly quote the Second Circuit's statement that its "emphasis on objective reasonableness is firmly rooted in *Fogerty*'s admonition ... [to] be 'faithful to the purposes of the Copyright Act.'" Opp. 5, 10 (quoting *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 121-22 (2d Cir. 2001)). We said in the petition (at 23) that the Second Circuit has never explained this statement, and Wiley doesn't try either. Not "punish[ing]" losing parties for bringing reasonable claims—to use

Wiley's word, Opp. 3—does not "encourage[]" parties to raise objectively reasonable claims and defenses. *Fogerty*, 510 U.S. at 527; Pet. 21-22; *see also* Pet. 22 (also explaining that *Fogerty* rejected the punishment-based approach to copyright fees). At most, the Second Circuit's approach simply does not discourage parties from filing reasonable infringement suits. Infringement suits, however, are not the goal of the Copyright Act. *Fogerty*, 510 U.S. at 526.

B. Wiley also defends the Second Circuit by quoting its rule that "a fee award *against a copyright holder* with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." Opp. 10 (emphasis added) (quoting Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122)). We explained (Pet. 24) how that is explicitly not evenhanded and, therefore, conflicts with *Fogerty*. Wiley does not respond.

Instead, Wiley says the Second Circuit's emphasis "on objective reasonableness is fully consistent with treating plaintiffs and defendants evenhandedly." Opp. 13. But Wiley ignores that the Second Circuit's application of the rule has in practice discriminated against prevailing defendants, in part because the Second Circuit emphasizes that it is plaintiff's prevailing copyright claims that are often "in line with the statutory goal of deterrence [of copyright violations]." *Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 289 (2d Cir. 1999); *accord* Pet. 25.

C. Without an answer to the Second Circuit's equating of fee awards under the Copyright and Patent Acts, Pet. 26-27, Wiley instead argues that this petition is nothing more than an appeal from "Peti-

tioner's disappointment with the district court's decision." Opp. 4. It isn't. As the panel below held, "the district court properly placed 'substantial weight' on the reasonableness of [Wiley's] position in this case." App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). This holding was based on the legal conclusion that it is "proper[]" to emphasize the objective reasonableness of a losing plaintiff's claim when the prevailing defendant's meritorious defense advanced the purposes of the Copyright Act. App. 4a. The question for this Court is whether that is an "appropriate standard for awarding attorneys' fees ... under § 505." Pet. i. Though the Copyright Act affords district court's discretion in their fee decisions, Opp. 1, if the decisions below are based on an erroneous legal rule, they are, by definition, abuses of discretion. *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 405 (1990).

## III. This Case Is An Ideal Vehicle.

As already explained (at 5), Wiley does not dispute that this case is a perfect vehicle to address the issue of the standard for fee awards vis-à-vis the rule in the Ninth and Eleventh Circuits.

As to the Fifth and Seventh Circuit's presumption in favor of fee awards, Wiley argues "that issue is not properly presented" because Kirtsaeng "never" asked the Second Circuit to adopt "a presumption." Opp. 14. The "issue" is not the presumption but the standard for awarding fees. That issue is presented. Below, Kirtsaeng argued "unequivocally that he believes that *Matthew Bender* contravenes *Fogerty* and its progeny and should be abrogated." C.A. Reply Br. 10. Kirtsaeng did not ask the Second Circuit to

adopt the Fifth and Seventh Circuit's presumption, nor was he required to, because the Second Circuit had already rejected such a presumption, Opp. 12 (quoting *Lava Records*, 354 F. App'x at 462-63), and it would have been futile for Kirtsaeng to ask another panel to do what an earlier one already refused.

Wiley argues as fall back that the issue is not squarely presented because it is not "clear" that Kirtsaeng would win under a presumption favoring fee awards. Opp. 14. An assured victory is not and has never been the standard. Under a presumption favoring fee awards, Kirtsaeng would presumably be entitled to fees. His case would be strengthened by the undisputed fact that he advanced the purposes of the Copyright, he overcame a great disparity in wealth and power, he obtained a complete victory, and such awards prevent parties with meritorious arguments from being forced to throw in the towel or settle for nuisance value. Pet. 18-21, 28-30. Wiley says other considerations, such as Wiley's reasonable claim and the small "amount of money at stake," would rebut the presumption. Opp. 14. That is for another court on another day—though it bears noting that Wiley's original judgment (before it was reversed) was for $600,000, Pet. 5, and courts applying presumptions have awarded fees even when the losing party's claim was reasonable, *HyperQuest, Inc.*, 632 F.3d at 387 It appears quite "clear" indeed that Kirtsaeng would be entitled to fees under the circumstances.

Finally, Wiley leaves breadcrumbs that this case may be a poor vehicle because Kirtsaeng's Supreme Court counsel was pro bono. Opp. 2, 4. Wiley's counsel wisely conceded at oral argument below that "I

don't argue and I don't think we did argue in the brief, Your Honor, that the fact that it was given pro bono should preclude that reimbursement of that fee." CA2 Oral Arg. Recording 13:38-13:49. This Court rejects that pro bono representation is relevant to the threshold question of whether *any* fees should be awarded, *Blanchard v. Bergeron*, 489 U.S. 87, 94 (1989), as did the panel, Pet. 5a n.2. In any event, Kirtsaeng incurred more than $115,000 in legal fees prior to his pro bono representation in this Court, and those fees remain subject to his request for fees under § 505. C.A. App. A313-54.

## CONCLUSION

As Wiley concedes, there is at least one circuit split on an issue of national importance, and this case is a proper vehicle to address the issue. This Court should grant the petition.

Respectfully submitted,

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